



USAID
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ALBANIA

GLOBAL CLIMATE CHANGE

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USAID's support of energy sector initiatives has facilitated environmentally friendly and sustainable development in Albania. Further endeavors by USAID, coupled with action by its many partners and collaborators, will help to maintain and increase Albania's participation in the efforts to mitigate the effects of climate change and promote energy sector investment.

Background. The Republic of Albania is located in southeastern Europe in the west of the Balkan Peninsula. In the last decade, Albania has been making the transition from 46 years of communism to multiparty democracy and a liberal economic system. Impeding Albania's democratic and economic development are the legacy of communism, crushing poverty, failed institutions, a weak rule of law, poor social conditions, and a large out-migration of people seeking jobs. In terms of poverty, Albania remains the poorest Eastern European country – 46.6% of all Albanians are below the poverty line of \$2 per capita per day, while 17.4% are below the poverty line of \$1 per capita per day.¹

The economy is and will remain dependent for several years on sufficient rainfall for energy and agriculture. There is no resilience to global economic shocks or prolonged droughts. The last three years of insufficient rainfall increased government deficits, reduced agriculture output, and added substantial costs to businesses for expensive alternatives to prolonged electricity blackouts. The economy is dominated in the short to midterm by the agricultural sector, which accounts for approximately one-third of GDP and about one-half of all employment. Albania's balance of trade is heavily weighted toward imports due to growing domestic demand for foreign goods as well as large increases in electricity imports. The need for electricity and other forms of energy is a central issue within Albania; therefore, a principal focus of USAID programs is in the energy sector.

Sector-Specific Climate Change Activities. USAID supports institutional development, utility and regulatory partnerships, policy and legal advisors, skills training, and technical advisors for energy sector development. With USAID assistance, the Albanian electricity utility is preparing for restructuring, unbundling, and possible privatization. Furthermore, the energy sector regulatory agency now monitors electric utility operations and is gradually increasing tariffs to attract sector investments.

With USAID's help, government agencies and energy associates prepared a National Energy Policy Statement and subsequent National Energy Strategy, recently approved by the government. The Statement clearly outlines steps to be taken in restructuring and reforming the power sector to ultimately place it on a financially self-sustaining and

¹ USAID, Albania-Congressional Budget Justification, "The Development Challenge," http://www.usaid.gov/policy/budget/cbj2004/europe_eurasia/Albania.pdf

USAID's partners in climate change activities in Albania include*:

- Electric Regulatory Agency
- European Bank for Reconstruction and Development (EBRD)
- Government of Italy
- Indiana Electricity Regulatory Commission
- Albania Electric Utility (KESH)
- Ministry of Industry and Energy
- National Association of Regulatory Utility Commissions
- National Energy Agency
- U.S. Trade Development Agency
- World Bank

* Because partners change as new activities arise, this list of partners is not comprehensive.

environmentally sound basis. The Statement was the basis upon which the World Bank and other international financial institutions offered about 135 million euros in credits for energy sector restructuring and improvements.

The U.S. Trade Development Agency committed \$1.2 million for various studies of a proposed thermal energy facility near the Port of Vlore, which will reduce dependency on hydro production and diversify electricity sources. The government will create an energy industrial development zone to include the thermal energy plant and other energy-related facilities; the Trade Development Agency will be asked to fund feasibility studies for the related energy facilities.

For more information on USAID's climate change activities in Albania, visit USAID/Albania's Mission Web site at:

- <http://www.usaidalbania.org>